



# **DLA Initiatives To Improve Support To Weapon Systems And Reduce Ownership Costs**

**November 20, 2002**

**Doug Walker**

**Chief, Weapon Systems Support Division  
Readiness and Customer Support Directorate  
Headquarters, Defense Logistics Agency**

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**edward\_walke**



# **Topics and Some Major DLA Initiatives**

- **Background**
- **Lead Center Concept - Weapon System Support Managers**
- **Business Systems Modernization**
- **Customer Relationship Management**
- **Strategic Materiel Sourcing/Strategic Supplier Alliances**
- **Examples of Tailored Support Contracts**
- **National Inventory Management Strategy**
- **Support to Operation Enduring Freedom**

**Fortune 500: 2002**  
-DLA #98  
-Coca-Cola #99

# The DLA Enterprise... A Fortune 500 Company

## Scope of

### Business

- 1312 Weapon Systems Supported
- \$80.5B Inventory
- 125.0M Net Barrels Sold
- \$13.5B Annual Reutilizations/Disposals
- 20M Annual Requisitions
- 23.3M Annual Receipts & Iss
- 22 Distribution Depots

**FY02 Sales/Services:**  
**\$20.6B**

Def. Supply Ctr. Columbus:  
Def. Supply Ctr. Richmond:  
Def. Supply Ctr. Philadelphia:  
Def. Energy Support Ctr.:

- **Distribution:** \$1.4B annually
- **Disposal:** \$.3B annually
- **Stockpile:** \$.3B annually
- **Document Automation & Production:** \$.4B annually



## People

### WORLDWIDE

- 22,627 civilians
- 491 active duty military
- 618 reserve military
- 48 states
- 28 countries

## Foreign Military Sales

- **Sales:** \$2.3B
- **Shipments:** 670M annually
- **Top 10 customers:** \$2.7B
- **Top 10 customers:** \$7.8B
- **Top 10 customers:** \$5.6B
- Korea -Taiwan -Israel -Turkey
- Greece -Australia -Saudi Arabia
- Egypt -Germany -Spain

**DLA's Top 100 customers include 2**

**Small Agency . . . Doing BIG Business!**



# Defense Logistics Agency

**DIRECTOR** ★ ★ ★

**VICE DIRECTOR** ★ ★

**SPECIAL STAFF**



DLA Director  
**Vice Admiral**  
**Keith W. Lipper**  
Supply Corps,  
United States Navy



Vice Director  
**Major General**  
**Mary Saunderson**  
United States  
Air Force

**DLA  
SUPPORT  
SERVICE**  
★

**J-1  
HUMAN  
RESOURCES**  
★

**J-3  
LOGISTICS  
OPERATIONS**  
★ ★

**J-6  
INFORMATION  
OPERATIONS**  
★

**J-8  
FINANCIAL  
OPERATIONS**  
★

**J-9  
JOINT  
RESERVE  
FORCES**  
★ ★

**DSCC**  
★

**DSCR**  
★

**DSCP**  
★

**DESC**  
★

**DDC**  
★

**DRM** ★  
★

**DNOSC** ★

**DLA-P** ★

**DLA-E** ★

**DAPS**

**DLIS** ★





# Defense Supply Center Richmond

**Lead Center for  
Aviation:  
Changing the Way We**



**BRIG GEN JAMES P. TOTSCH, USAF**  
Commander

## Aviation

- Engine Components
- Bearings
- Air Frames
- Cables

## Environmental Products

- Re-refined Oil
- Battery Consignment Program
- Ozone Depleting Substance Reserve

## Maps

- Maps, Charts and Graphs for all DoD Activities

## Industrial Plant Equipment

- Lathes
- Milling Machines
- Boring Machines
- Grinding Machines



# Defense Supply Center Columbus

**Lead Center:  
Land, Maritime & Missiles**



RDML ALAN S. THOMPSON, SC, USN  
Commander



## Land

**Diesel Engines  
Power Transmission  
Components  
Vehicular Body,  
Frame & Chassis  
Components  
Canvas Products  
(Covers, Cushions)  
Hoses & Guns**



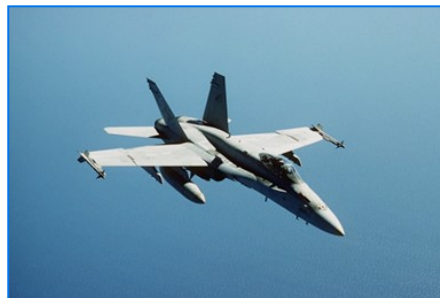
## Maritime

**Valves & Pumps  
Compressors  
Fittings  
Steam Turbine  
Components  
Engine Fuel  
System  
Components**



## Missiles

**Gyro Components  
Sensors  
Thermal Resistors  
Level Detectors  
Launcher  
Components**



## Electronics

**Microcircuits  
Fiber Optics  
Connectors  
Switches & Relays  
Communications  
Equipment**





# Defense Supply Center Philadelphia

**Lead Center:  
Troop & General  
Support**



**BG GARY L. BORDER, USA**  
Commander



**Defense Supply Center  
Philadelphia, PA**

## **Clothing & Textiles**

**Outerwear, Tentage, Cloth**

**Hats, handwear, accessories**

**Orthopedic footwear**

**Individual clothing and equipment**

Footwear, Socks, T-shirts

Rucksacks, Flight clothing

Physical Training wear

Extended Cold Weather Clothing System

Chemical clothing  
Body armor, Helmets  
Sleeping Bags

**Flags, guidons, and insignia**

## **Subsistence**

**Operational Rations**

Meals Ready to Eat

Unitized Group Rations

Humanitarian Rations

Field Feeding Equipment

**Dining Hall items**

Institutional feeding

Food Service Equipment

Fresh fruits & vegetables

**Configured loads**

**Industrial Planning**

**War Reserve Mgmt**

**Health & Comfort Packs**

## **Medical**

**Pharmaceuticals**

**Medical equipment**

Scanners

X-ray equipment

MRI

**Med/Surg supplies**

**Lab supplies**

**Dental supplies**

**Repair and return parts**

**Spare parts**

**Optical products**

**Prepackaged**

**Surgical Supplies**



## **General/Industrial**

**Maintenance, Repair & Operations**

**(MRO)**

**Wood Products**

**Heavy Equipment**

**Material Handling Equipment**

**Metals**

**Photographic Supplies & Equipment**

**Administrative Products**

**Automated Data**

**Processing Equipment (ADPE)**

**Telecommunications Equipment**

**Fire Fighting Equipment**

**Marine Lifesaving & Diving Equipment**

**Bench stock**

**Kitting**





# Defense Distribution Center

**DoD's  
Distribution  
Provider...An  
Enterprise  
Service**



**BG KATHLEEN M. GAINERY, USA**  
**Commander**



**Receive  
Store  
Issue**

**4.0 M NSNs**

**\$81.5 Billion**

**23 M lines**

**received/shipped  
annually**



**Total Package Fielding  
Preservation, Packaging,  
Packing and Marking  
(PPP&M)**

**Kitting**

**Container Consolidation  
(2 consolidation points)**

**Map Distribution (11 Map  
Spt Offices)**

**Deployable Medical Sets**

**Hazardous/Ozone Depletion  
Substances**

**22 Depots**

**19 CONUS**

**3 OCONUS**

**Germany**

**Hawaii**

**Japan**

**8,414 Personnel**

**Covered Storage**

**52.5 M Sq Ft**

**Open Storage**

**20.5 M Sq Ft**







# Defense Logistics Information Service



Col JOSEPH D. CASSEL, JR.,

USMC

Commander

## PROGRAM MANAGEMENT

- Federal Logistics Information System (FLIS)
- Hazardous Material Information Resource System (HMIRS)
- Central Contractor Registration (CCR)
- Universal Data Repository (UDR)
- Defense Supply Expert (DESEX) System
- Logistics Information Network (LINK)
- U.S. National Codification Bureau
- Military Engineering Data Asset Locator System (MEDALS)
- Environmental Reporting Logistics System (ERLS)

**DoD's Premier  
Logistics Information  
Broker ... An  
Enterprise Service**



Defense Logistics Information Service  
Battle Creek, MI

## SERVICES

- Cataloging
- Contact Center
- Training
- World Wide Web
- Information Management
- NATO Data Exchange

## PRODUCTS

- CD-ROM/DVD
- ON-LINE
- WEB
- EXTRACTS
- TAILORED





# Defense Reutilization and Marketing Service

**“DoD’s Provider of Choice for Worldwide Reuse, Recycling and Disposal Solutions”**



**COL JOHN MARX**  
Commander



**Defense Reutilization & Marketing Service  
Battle Creek, MI**

**CONUS**  
✓ 6 Zones  
✓ 69 Defense Reutilization & Marketing Offices (DRMOs)  
**OCONUS**  
✓ 6 Zones  
✓ 26 DRMOs

## **REDISTRIBUTE EXCESS PROPERTY**

- DoD
- Federal Agencies
- States/Non-Government

## **Or REUTILIZATION/TRANSFER/DONATION**

Ground Effect Vehicles,  
Motor Vehicles, Trailers  
ADPE, Software, Supplies Communications,  
Detection, and Radiation Equipment  
Clothing, Individual Equipment/ Supplies  
Engines/Turbines & Components



## **MAXIMIZE SALES REVENUE**

- Expand Markets
- Partner with Private Sector

### **USABLE**

Aircraft  
Electrical and Electronics  
Vehicles and Support Equipment  
Miscellaneous Ground/ Shop Equipment  
Plumbing/Air Treatment

### **SCRAP**

Iron/Aluminum  
Heavy Melting Iron & Steel  
Plain & Corrugated Cardboard  
Electrical and Electronic Residue  
Iron & Steel Scrap with Foreign Attachments

## **PROTECT THE PUBLIC**

- Demilitarization
- AEDA
- Environmental

### **DEMIL**

Guns, through 30 mm  
Electrical & Electronic Boards, Cards & Hardware  
Antennas, Waveguides & Related Equipment  
Miscellaneous Communication Equipment  
Radio/TV Communication Equipment, Except Airborne



### **ENVIRONMENTAL**

State Regulated Waste  
Non-Regulated Waste  
Toxicity Characteristic Leaching Procedure (TCLP)  
Spent Solvent





# Defense Energy Support Center

**Lead  
Center:  
Energy**



Mr. JEFFREY A. JONES  
Director

**DoD's Energy  
Provider...An  
Enterprise  
Service**



Defense Energy Support Center  
Ft Belvoir, VA

## Bulk Fuels

- Jet Fuels
- Ships' Propulsion Fuels
- Diesel
- Gasoline
- Fuel Additives
- Lubricants

## Direct Delivery Fuels

- Ground Vehicle Fuel
- Ships' Propulsion Fuel
- Commercial Airport Fuel
- Installation Heating Oil

## Installation Energy

- Utility Privatization
- Natural Gas
- Coal
- Electricity

## Information

### Management Systems

- Fuels Automated System (FAS)
- Integrated Consumable Item Support (ICIS)
- Paperless Ordering & Receipt Transaction Screens (PORTS)
- Air Card/Fleet Card/MAGSTRIP

## Facilities and Distribution

- Facility Privatization
- Environmental Services
- Fuel Quality Services
- Bulk Fuel Storage
- MILCON, Maint. & Repair
- Financing deployment en route fuel infrastructure







# Defense National Stockpile Center

**A DoD  
Revenue Asset and  
Enterprise Service**



**Defense National Stockpile Center  
Ft Belvoir, VA**



**MR. RICHARD CONNELLY  
Administrator**

## ***DNSC Cash Transfers***

	To Military To Readiness WW II	For FMS Surcharge	Military Personnel	DoD Radio Frequency
<u>FY</u>	<u>Accounts Memorial</u>	<u>Offset</u>	<u>Benefits</u>	<u>Buyback</u>
1993	\$200.0 M	-	-	
1994	\$400.0 M	-	-	
1995	\$150.0 M	-	-	
1996	\$150.0 M	-	-	
1997	\$150.0 M	\$81.0 M	-	
1998	\$150.0 M	\$143.0 M	-	
1999	\$150.0 M	\$66.0 M	\$105.0 M	
2000	\$150.0 M	\$62.0 M	\$97.0 M	\$10.0 M
2001	\$150.0 M	\$62.0 M	\$127.0 M	\$22.5 M
	\$ 4.0 M			
			\$213.1 M	\$186.7 M
<b>Total</b>	<b>\$1,650.0 M</b>	<b>\$532.0 M</b>	<b>\$542.1 M</b>	<b>\$319.2 M</b>

**Total Cash Transferred = \$2.9 B**

**\$4.6 Billion  
Total Sales  
since FY93**

**60 Internationally Traded  
Commodities  
\$2.0 B Inventory**

- 60 Internationally Traded Commodities
- \$2.0 B Inventory
- \$4.6 B Sales since FY 93





# Document Automation & Production Service

## Worldwide Enterprise

- 150+ Locations / 14 Countries / 1,150 Employees
- 4K+ Cust. Acc'ts / 3M+ Orders / 11B+ Pages
- \$200M Annual Sales (FY 01)
- Outsourced Over 700 Standing



MR.  
STEVE  
SHERMAN  
Director



**DAPS Production  
Centers**

**DoD's preferred  
provider for  
Enterprise-wide  
Document  
Automation &  
Production  
Services  
(DODD5330.0)**

## Traditional Document Solutions

- On-demand Paper Output
- Multimedia Output
- Printing Procurement
- Copiers/Cost Per Copy Services
- Multifunctional Devices

## Document Automation Solutions

- Document Conversion
- eDocument / eRecords Management
- Data Warehousing
- On Line Document Services



# Defense Logistics Agency Europe

**DLA Europe is  
DLA's face to the  
EUCOM  
warfighter in 93  
countries**



**Headquarters - Wiesbaden,  
Germany**

**Commander - COL David V. Mintus,  
USA**

**DCST-B (Fwd) - Eagle Base, Bosnia**

**Includes  
Russia  
on**

**1 Oct/02**



**Supporting:**

**US European  
Command**

**US Army Europe**

**US Air Forces in  
Europe**

**US Navy Europe**

**US Marine Forces  
Europe**



# Defense Logistics Agency Pacific



**Headquarters - Taegu, ROK**  
**Commander - COL Chris Iskra,**  
**USA**

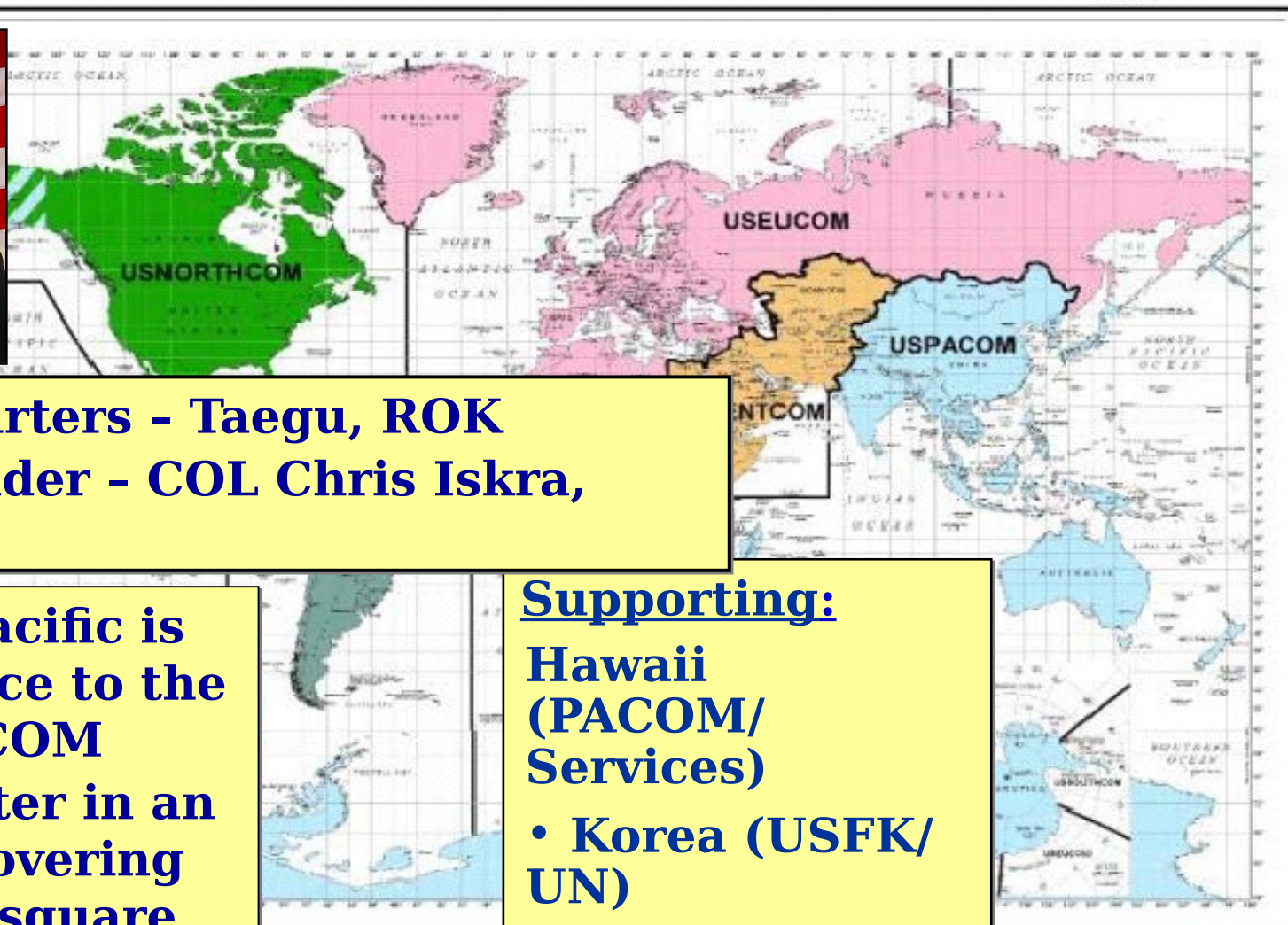
**DLA Pacific is**  
**DLA's face to the**  
**PACOM**  
**warfighter in an**  
**AOR covering**  
**105M square**

## **Supporting:**

**Hawaii**  
**(PACOM/  
Services)**

- **Korea (USFK/  
UN)**

- **Japan**







# **Transition from Wholesale to Today's *Forward Presence***

- **Co-Located Support to European & Pacific Theaters**
- **Combatant Command Liaison Officers:**
  - **Inside Joint Staff J4, EUCOM, PACOM, CENTCOM, TRANSCOM, SOUTHCOM & JFCOM**
- **DLA Contingency Support Teams**
  - **DLA Deploys with Force as Requested by Combatant Commanders**
  - **Bosnia, Kosovo, Croatia, Kuwait and Uzbekistan Today.**
- **Customer Support Representatives**
  - **DLA Inside 71 Major Service Locations Globally**





# ***DLA SUPPORT TO OPERATION ENDURING FREEDOM...***



## **Deployed DLA Contingency Support Teams:**

- **Kuwait**
- **Afghanistan**
- **Uzbekistan**

**Guantanamo \$30M**  
**Food, Clothing,  
Vehicles, Construction,  
Office Equip**

**OEF-Philippines**  
**\$1.6M**  
**Food, Water,  
Concertina Wire**

## **CENTCOM: \$5.5**

**Humanitarian:**  
**\$18M**

- **Wheat & Dates**

**Trip Support \$21.8 M**

- **Cold Weather Gear/Tents**

**Distribution:**  
**End to End  
Support**

**Fuel B, I, O, K, T, S: \$674 M**

**666.3 Million US Gallons Surge in  
Bulk Fuel**

***"I can't go to war without DLA" -  
EUCOM J-4***



# Worldwide Deployments: Last 24 Months



East Timor... 48 hours after notification

Atlas Response... 72 hours after notification

Bosnia... 48 hours after notification

Kosovo... 48 hours after notification

Continuous Presence in Balkans and Stans Through all Operations...

**Currently Deployed**  
**Enduring Freedom...26 Personnel**  
**Balkans...12 Personnel**

**Clock,  
Around the World**



# **DLA Lead Center Weapon System Focused**

## ***Concept of Operations...***

- **Implemented a weapon system support structure**
- **Realigned Item Management responsibilities by weapon system**
- **Increased customer support focus**
- **Introduced Lead Center Concept**

## ***DLA Lead Center Concept ...***

- **Established Centers of Excellence**
  - DSCR - Aviation Systems**
  - DSCC - Land, Maritime, Missile and Electronic Systems**
  - DSCP - Troop Support & General Supply**
- **Provides Single Weapon System Point of Contact at the Program Level**
  - **Weapon System Support Managers**
- **Works with Service PMs to resolve fleet-wide readiness supply support issues for DLA supported weapon systems**
- **Acts as the primary catalyst for inter-agency support and engagement of PMs**





# Typical Weapon System Support Team

## WSST Members

**Customer (NAVICP-M)**  
**DSCC (WSSM)**  
**DSCR (WSPOC)**  
**DSCP (WSPOC)**  
**DSCC Electronics**  
**DLA CSR (NAVICP-M)**  
**DLA CSR (Norfolk)**  
**DLA CSR (San Diego)**  
**HQ DLA/J-34X Navy Team**  
**Functional Support**  
**(IM, Buyer, QA, Tech, etc.)**

## Ticonderoga CG-47 Class C

**CAPT Styron**  
**Mr. Rick Dennett**  
**Mr. John Mason**  
**Ms. Christine Tarkett**  
**Ms. Jani Garza**  
**Mr. Chuck Freeman**  
**Ms. Pam Northern-Eley**  
**Mr. Jerry West**  
**Ms. Shanna Poole**  
**Various**





# DLA Support to Ticonderoga Class CG 47 - WSDC EZN (As of 1 October 2002)

## Unique

## Common (All Systems)

• NSNs Managed 3,166  
143,441

• \$ Inventory \$6.2M  
\$732.6M

• \$ Contract Due Ins \$741K  
\$293.1M

• \$ PRs in Process \$434K  
\$150.3M

• \$ Sales (12 Months) \$2.9M  
\$712.3M

Wholesale Supply Availability was 92.0% in October  
It ranged from 89.3% to 93.3% over last 12 months

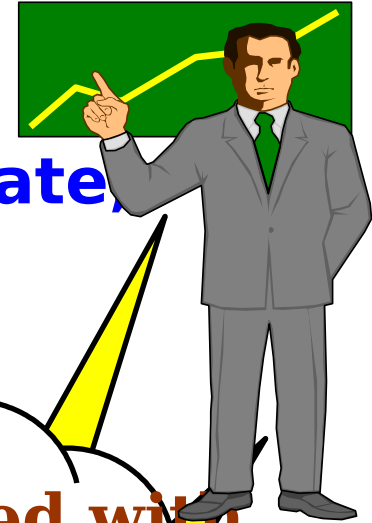
• \$ Sales (24 Months) \$5.6M  
\$1.4B

Sources: DORRA; WSDB for Supply Availability





# Weapon System Support Metrics Trended/Tracked by DLA



- **Weapon System Readiness (e.g., MC rate, NMCS, WREs, MICAPs, etc.)**
- **DLA Supply Availability**
- **DLA Backorders and Requisitions**
- **DLA Aged IPG-1 Backorders**
- **DLA Logistics Response Time/Customer Wait Time**

**Shared with  
PMs and  
Service Depot  
Maintenance  
Programs**





# **Business Systems Modernization (BSM) - Reengineering**

- **Incorporating Best Commercial Practices Via Commercial Off-The-Shelf (COTS) Based IT Tools**
- **Replacing 30 Year Old Legacy Information Systems With State Of The Art Technologies In Supply Chain Management**
  - **ERP: SAP R/3**
  - **APS: Manugistics**
  - **Procurement: AMS Procurement Desktop Defense (PD2)**
- **Teamed With Accenture .... 4 Year Project**



# The BSM Strategy

- Corporate Infrastructure
- COTS Tools
- Integration via IDE

Business Reengineering

Phase I

**BSM**

- Order Fulfillment
- Planning
- Financial Management
- Procurement

**Customer Relationship Management**

- Customer Insight
- Customer Service
- Emergent Problem Resolution
- Returns Management

- Load Planning
- Manage Distribution Depots As a Network
- Integrate Information With Partner's Systems
- Vendor and Carrier

**Distribution Planning Management System**

Systems Architecture (SAP/Manugistics/PD<sup>2</sup>/Delivery 2000)

Common Protocols, Standards, Reference Data (IDE)

Technical Architecture

Technical Infrastructure



# BSM Project Plan



**We are here**



**2005**

**Full Operating Capability**

**2002**

**Initial Operating Capability**

**2001-02**

**Concept Demonstration**

**Summer 2000**

**Milestone I/II Approval**

**Spring 2000**

**SI Proposals**

**December 1999**

**Milestone 0 Approval**





# **BSM Concept Demo: Expectations**

- **We Went Live 31 July '02**
- **Scaled to mitigate risk to our customers**
- **Demo is “Our Time of Discovery”**
  - **New Organization Structure**
  - **New Business Practices**
  - **New Systems**
  - **Learn our capacity for change**

**We're beginning a long process of learning and improving and we're**



# BSM Timeline & Rollout Strategy

**Testing & Training**

**Approach Customers & Suppliers**

**Release 1: prove concepts with 5-10% of the business**

**31 July 2002** **We are here**

**Release 2: Target 100% functionality with 35-50% of the business**

**4<sup>th</sup> quarter FY 2003**

**Release 3: 100% functionality with target 100% of business**

**4<sup>th</sup> quarter FY 2004**

**Release 4: Technology Upgrades and the toughest challenges**

**FY 2005**



# BSM Concept Demo: Release 1 Population

- **Garrison Feeding (PV Southeast Region)**
- **Helicopter Systems (UH-1, H-3, H-46, and H-53)**
- **Terminal Lugs And Insulation Sleeves**
- **Maritime Carrier And Sub Surface Teams-- LM-2500**
- **Medical/Surgical Fleet**

- **All Services**
- **All Products**
- **All**

**170,000 Items**  
**17,000**  
**Customers**  
**400 Users**  
**\$500M Sales**  
**Annually**





# SAP



## Order FulfillmentProcurement

- Sales Order
- Delivery
- Returns
- Customer Master Data
- Accounts Receivable
- Billing/Invoicing
- Goods Receivables
- Goods Issues
- Goods Transfers
- Quality Status Tracking
- Complaints
- Customer Data Updates

- Vendor Evaluation (Supplier Relationship Management)
- Material Master
- Vendor Master
- Purchase Requisition
- Sourcing
  - outline agreement
  - source list
  - purchase info record
  - quota arrangement
- Accounts Payable
  - Vendor Invoice
  - Request

## Finance

- General Ledger
- Funds Management
- Budget
- Cost Center Accounting
- Profit Center Accounting
- Profit Analysis
- Inventory Valuation
- Pricing

## Planning

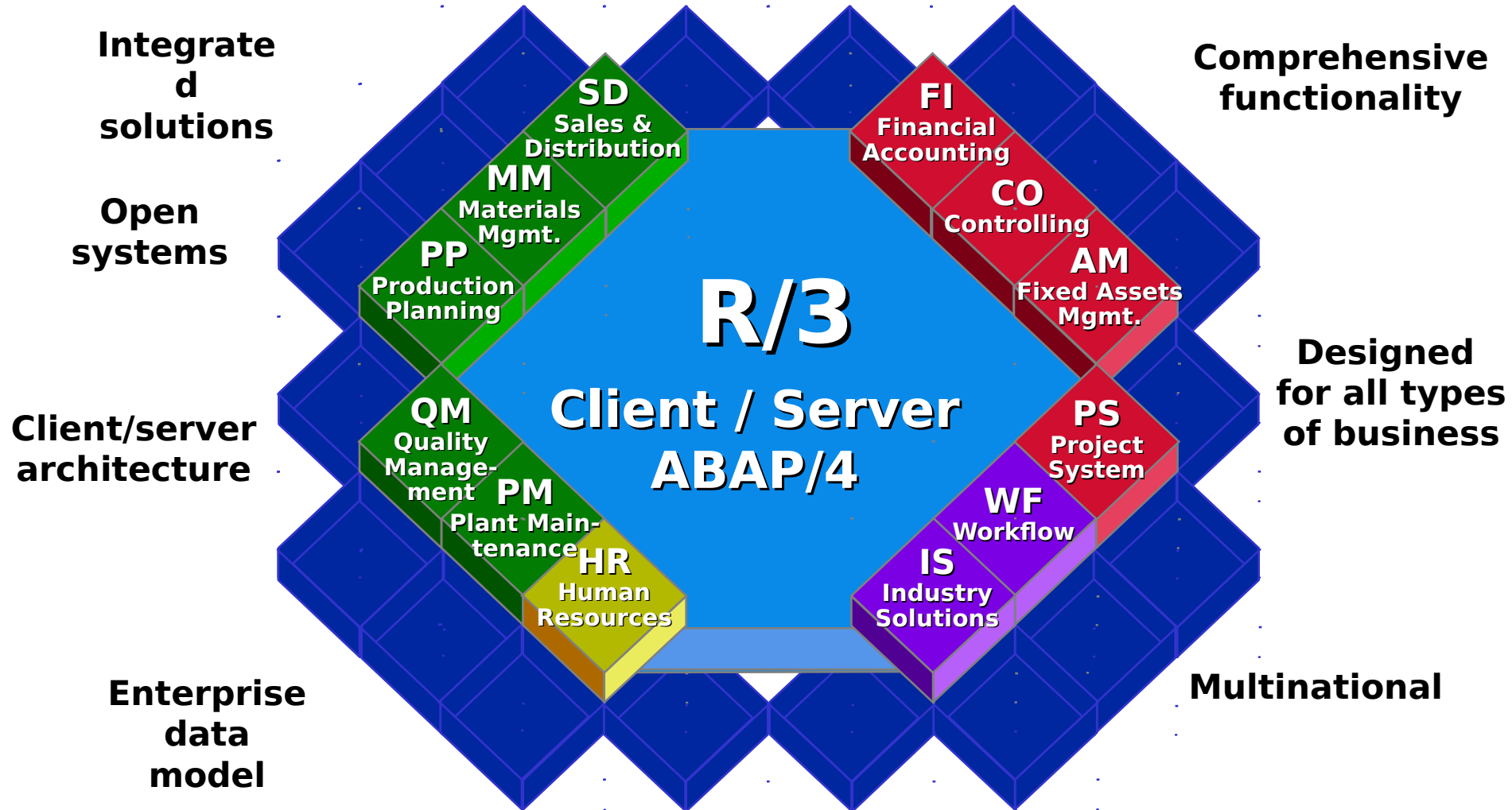
- Customer Master Data
- Product Master Data
- Network Master Data
- History

**Concept Demonstration Begins 31 July 2002:  
170,000 NSNs, Various Product Lines, 3 ICPs**



# SAP

## Integrated Functionality...





# BSM Process Reengineering: Demand Planning

**Today**



**BSM**

- **Plan by Item**
- **Limited Customer Input**
- **No User Interaction with Models**
- **Single/Static Forecast**
- **Quarterly Forecast**
- **Decentralized Systems**

- **Plan by Customer, Item, and Location**
- **Extensive Collaboration with Customer**
- **User Interaction with Models**
- **Variable/Time Phased Demand Plan**
- **Monthly Planning Horizon**
- **Single Demand Planning System**



# BSM Process Reengineering: Supply Planning

**Today**



**BSM**

- **Supply Plan by Item**
- **Single Reorder Point Based**
- **Batch Execution Multiple Times per Week**
- **Decentralized Systems**
- **Supply Plan by Item and Location**
- **Time Phased Inventory Plan**
- **Flexible Execution Daily and On-Demand**
- **Single Supply Planning System**





# BSM Process Reengineering: Order Fulfillment

**Today**



**BSM**

- **Orders Processed**  
    **"First In -  
    First Out"**

- **Single Line Orders**
- **Order Status  
Transactions**
- **All Operations Costs  
Included in Cost  
Recovery Rate**

- **Orders Processed by  
    "Required Delivery  
    Date"**
- **Multi-line Orders**
- **On-line Account and  
Visibility**
- **Premium Services  
(Transportation, Expedited  
Processing) and Discounts  
(Volume Purchase)**



# BSM PROCESS Reengineering: Financial

## Today



## BSM

- **Eight (8) Ledgers to Consolidate**
- **Inventory Valued at LAC - Not GAAP Compliant**
- **Invoice Required for Payment**
- **Single General Ledger Using USSGL Chart of Accounts**
- **Inventory Valued at Moving Average Cost - GAAP/ CFO Compliant**
- **Pay on Receipt (ERS)**



# BSM Metrics

## Order Fulfillment

- **Customer Wait Time**
- **Stock Availability**
- **Time Definite Delivery**
- **Order Line Fill Rate**
- **Order Quantity Fill Rate**
- **Order Fulfillment Costs as % of Sales**

## Planning

- **Demand Plan Accuracy**
- **Attainment to Plan**
- **Inventory Turns**
- **Planning Overhead Costs as % of Sales**



# BSM Metrics

## Procurement

- **Production Lead Time (PLT)**
- **Administrative Lead Time (ALT)**
- **Vendor/Supplier Effectiveness**
- **Supplier Readiness Capabilities**
- **Procurement Overhead Costs as % of Sales**

## Finance

- **Cash Plan Performance**
- **Net Operating Result Plan Performance**
- **Material Budget Plan Performance**
- **Budget Resourcing Effectiveness**
- **Finance Overhead Costs as % of Sales**





# Customer Relationship Management

- **Segmentation of Customers**
  - **First Indenture is Military Service**
  - **DLA National Account Manager for each Service**
- **Service Level Agreements with Major Customer Components**
  - **DLA Customer Account Managers for Major Customer Components**
    - **Examples: AMC; FORSCOM; TRADOC**
    - **Customer Support Representatives at AMC MSCs' IMMCs and Depots; Major Posts**



# What Is Our CRM Plan?

- **Establish Structured Customer Relationship**
  - **Strategic & Operational**
  - **Craft Mutual Expectations with Customers**
  - **Build by re-orienting (“zero sum”)**
- **Adopt Best Practices Through BSM**
  - **To Support Expectations**
  - **Significant Change to DLA Capabilities and Practices We Are**



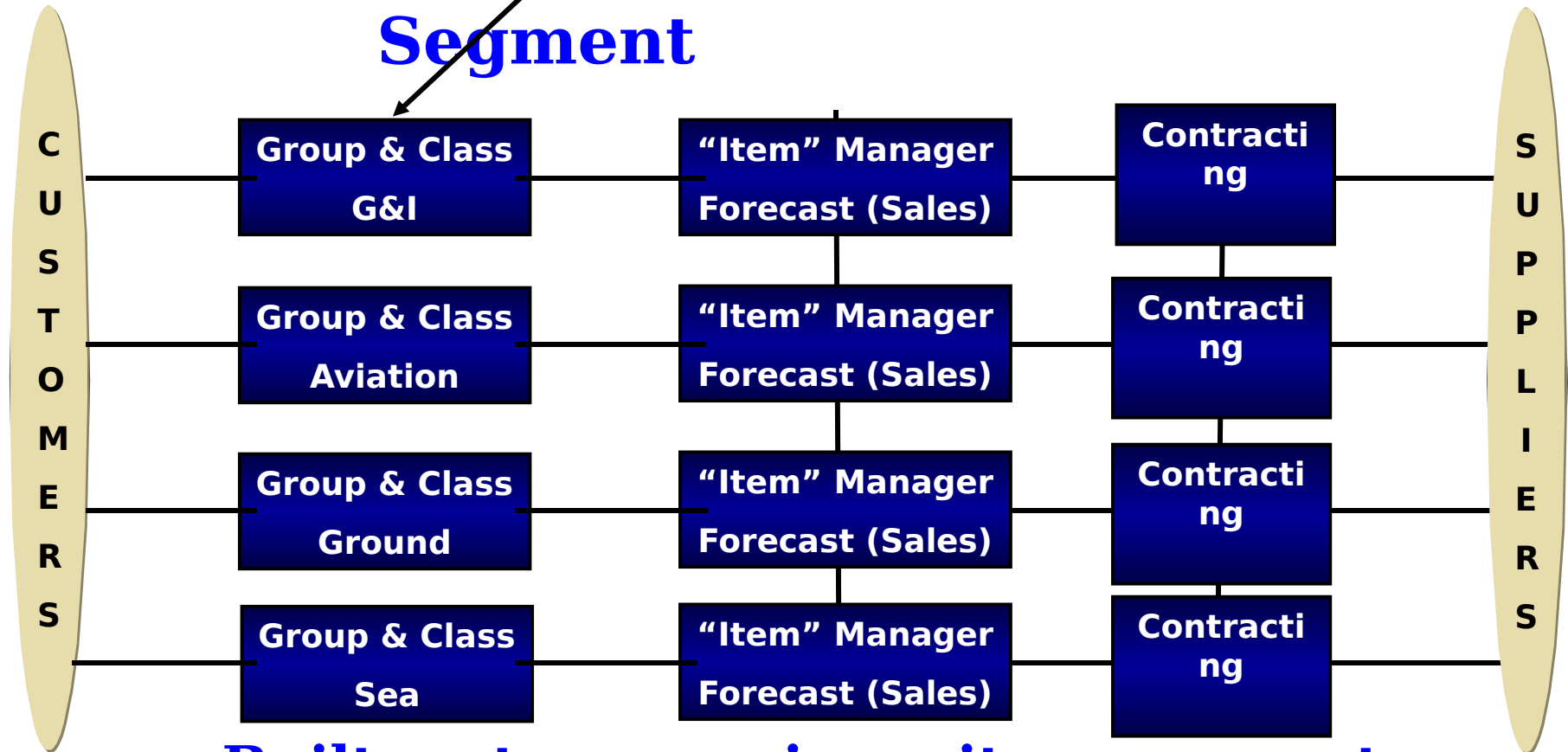
# **Reengineering: Redefining Success**

- **Focus...**
  - “Customer” vice  
“Function”**
- **Key Driver...**
  - “Expectation Management”**
- **Outcome...**
  - **“Time Phased” vice  
“Availability Based”**



# Product/Function Focus Before Reengineering

**"Item"  
Segment**



**...Built on two premises...item segments  
and forecasts (item focus), little  
collaboration and planning**





# Customer Focus

## Customer Segment & Collaboration (Expectation)

## Collaboration

(Demand Plan)

(Supply Plan)

C  
U  
S  
T  
O  
M  
E  
R  
S

Aviation

Maritime

Land

Troop Support

Customer Service

Demand Planning

Customer Service

Demand Planning

Customer Service

Demand Planning

Customer Service

Demand Planning

M  
A  
N  
U  
G  
I  
S  
T  
I  
C  
S

Supply Planning

Supplier Mgt

Supply Planning

Supplier Mgt

Supply Planning

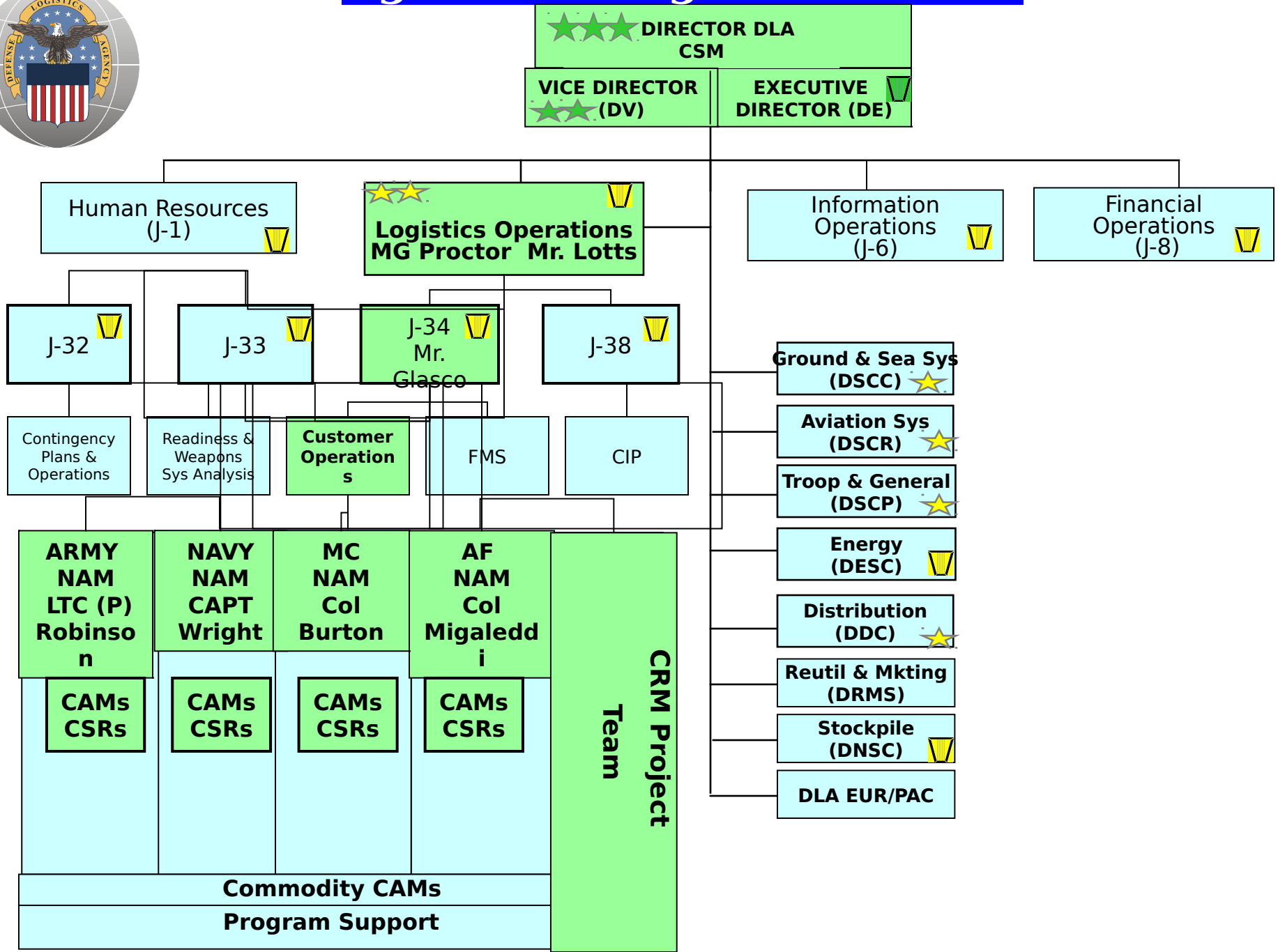
Supplier Mgt

S  
U  
P  
P  
L  
I  
E  
R  
S

...Built on two premises...customer segment and planning via collaboration

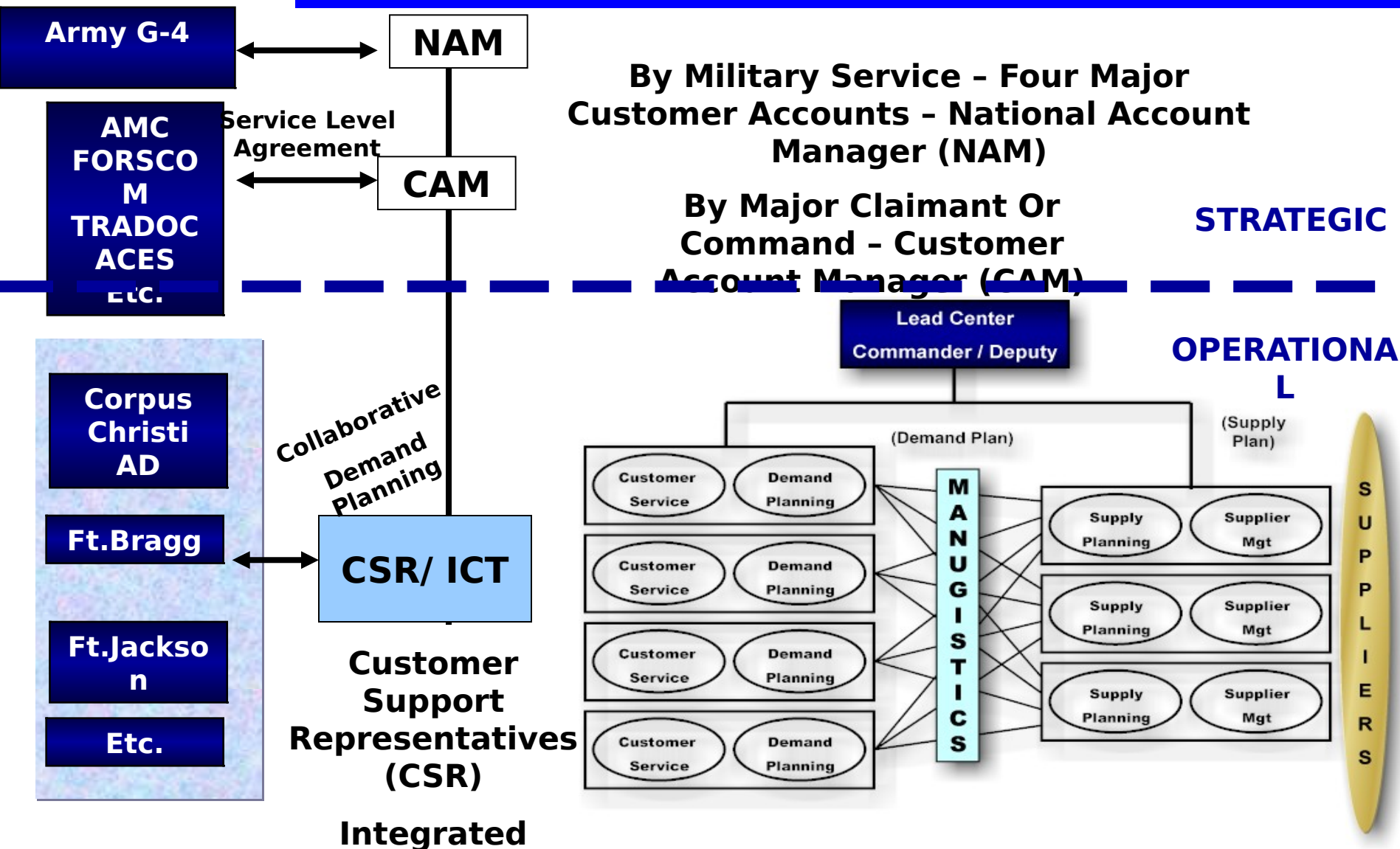


# Strategic CRM Organization





# Changing to Face the Customer



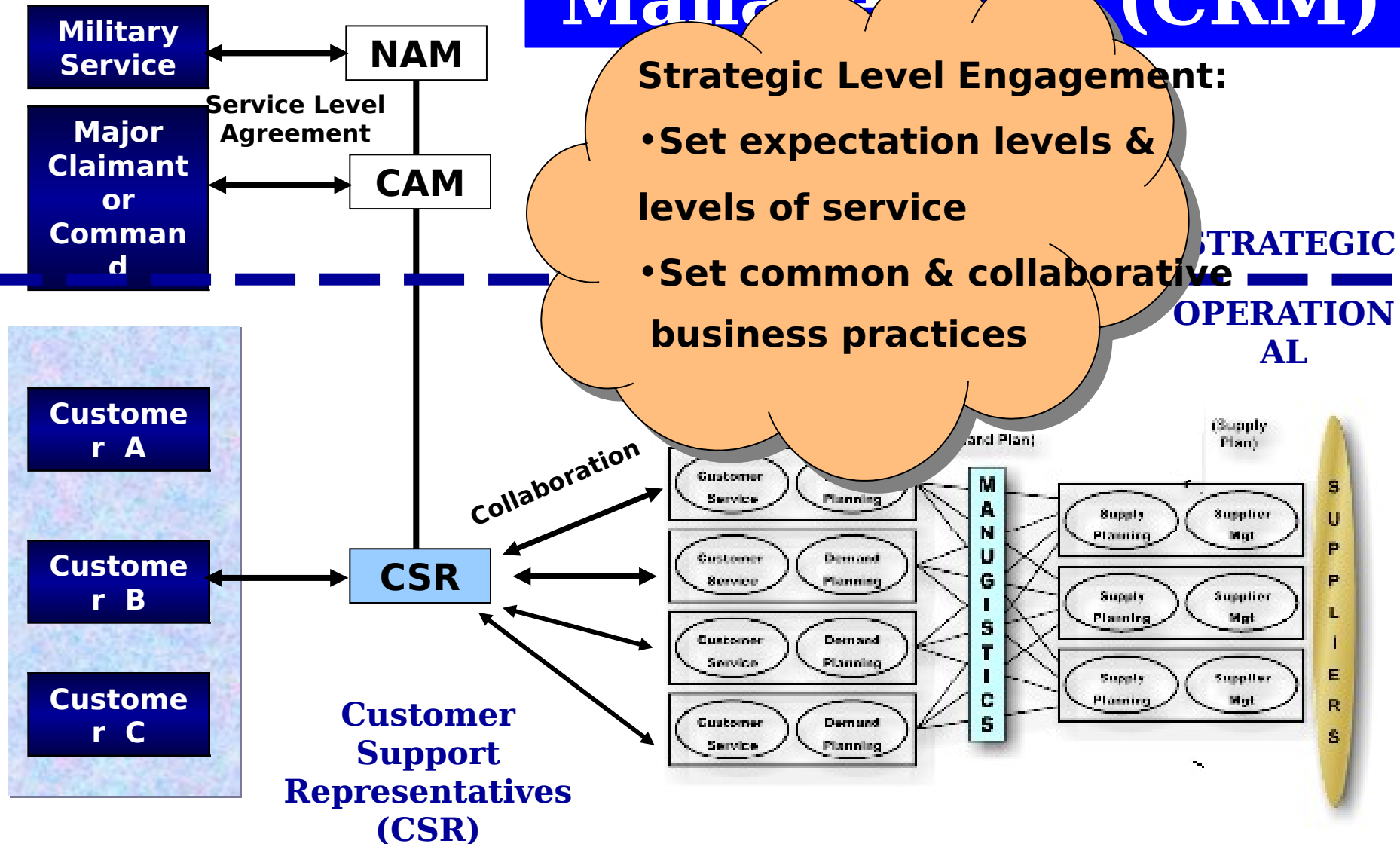


# Customer Relationship Management (CRM)

## Strategic Level Engagement:

- Set expectation levels & levels of service
- Set common & collaborative business practices

STRATEGIC  
OPERATIONAL







# Customer Relationship Management (CRM)

**Military Service**

**NAM**

**By Military Service - National Account Manager (NAM)**

**Major Claimant or Command**

Service Level Agreement

**CAM**

**By Major Claimant or Command - Customer Account Manager (CAM)**

**STRATEGIC  
OPERATIONAL**

**Customer A**

**Customer B**

**Customer C**

**CSR**

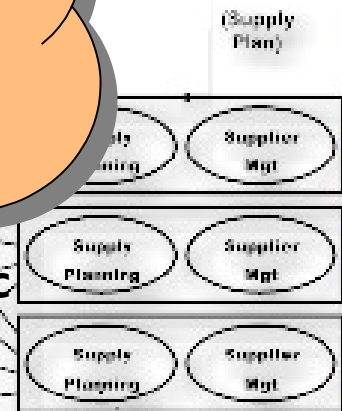
**Customer Support Representatives (CSR)**

**Operational Level Engagement:**

- Determine "how to's"
- Execute Service Level Agreements
- Input/feedback to strategic level



**ICS**



**SUPPLIERS**



# What Comes Out of Service Level Agreements

- **Set Mutual Expectations**
  - How Does DLA Contribute to Your Success?
  - Detail Performance Objectives & Measure Effectiveness
  - Invest To Outcome Vice Levels
- **Proactive Planning Versus Reactive Response**
  - Work Within Each Others Planning Cycles
- **Service Level Agreements to Drive Operational Behavior**
  - How far down supply chain



# Strategic Materiel Sourcing

- **Buy Commercial Supply Chains Where They Already Exist**
  - Pharmaceuticals; Food; Bench Stock Items; Facilities Maintenance Supplies; Medical-Surgical Equipment

- **Build Virtual Chains Where The Pieces Exist By Retooling Acquisitions Consistent With The Vendor Base**

- Virtual Prime Vendor or Corporate

**STRATEGIC MATERIEL SOURCING: OUR**

**OVERARCHING**

- **Integrate the Organic Chain When It Will Be Used**

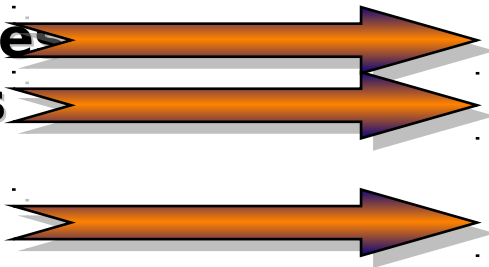


# **Business Vision - Value Added Broker Of Suppliers For Materials And Services**

**From**

**Reliance on inventories  
Management of parts**

**Managing processes**



**To**

**Reliance on Industry  
Management of  
Relationships  
Integrating supply  
chains**

**Maintain  
a Balance  
in Socioeconomic  
Programs**

- ① Buy commercial supply chains where they exist
- ② Build virtual chains where the pieces exist
- ③ Retool acquisitions consistent with the vendor base
- ④ Integrate organic chain when it must be used

**Utilize  
Commercial  
Sector  
Experts**





# How Is This Different?

Customer Relationship Management

## Current Business   Re-Engineered

- Functional Requirements
  - Manager of "Supplies"
  - Mobilize "via Inventory"
  - Instantaneous Buys
  - Stove-piped Systems
  - "Build" Software
- Outcome/Customer Oriented
  - Manager of "Suppliers"
  - Mobilize "via Industry"
  - Long-term Partnerships
  - Open, yet Secure Architecture
  - "Buy/Assemble" Software

**Business Systems Modernization -  
SAP/R3; APS: Manugistics; Procurement: AMS**





# SMS/SSA Overview: Targets of Opportunity

**Strategic  
Materiel  
Sourcing**

**Items  
represent  
ing  
largest  
business  
drivers**

- Demand/spend
- Readiness factors
- BSM concept

**Strategic  
Supplier  
Alliance**

**Vendors  
represent  
ing  
largest  
business  
base**

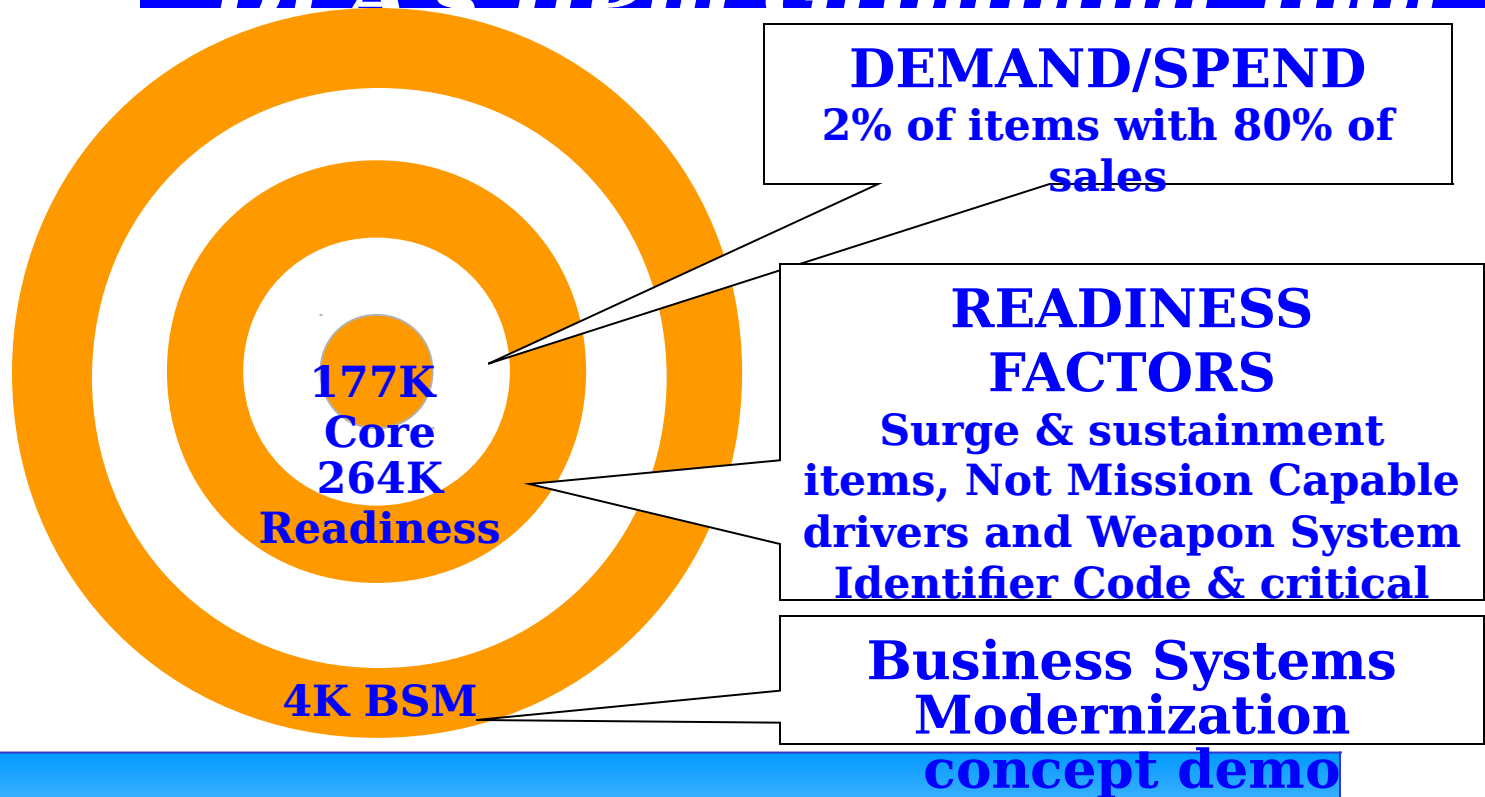
- Large annual sales
- Multiple customer support requirements
- Strategic partnering

**PBLs**

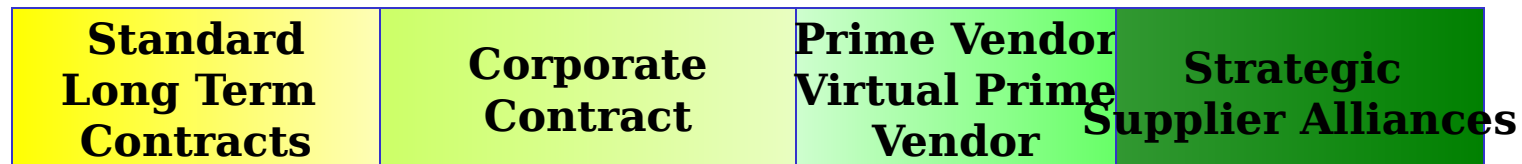


# Strategic Materiel Sourcing

## *DLA's Item Grouping Tool*



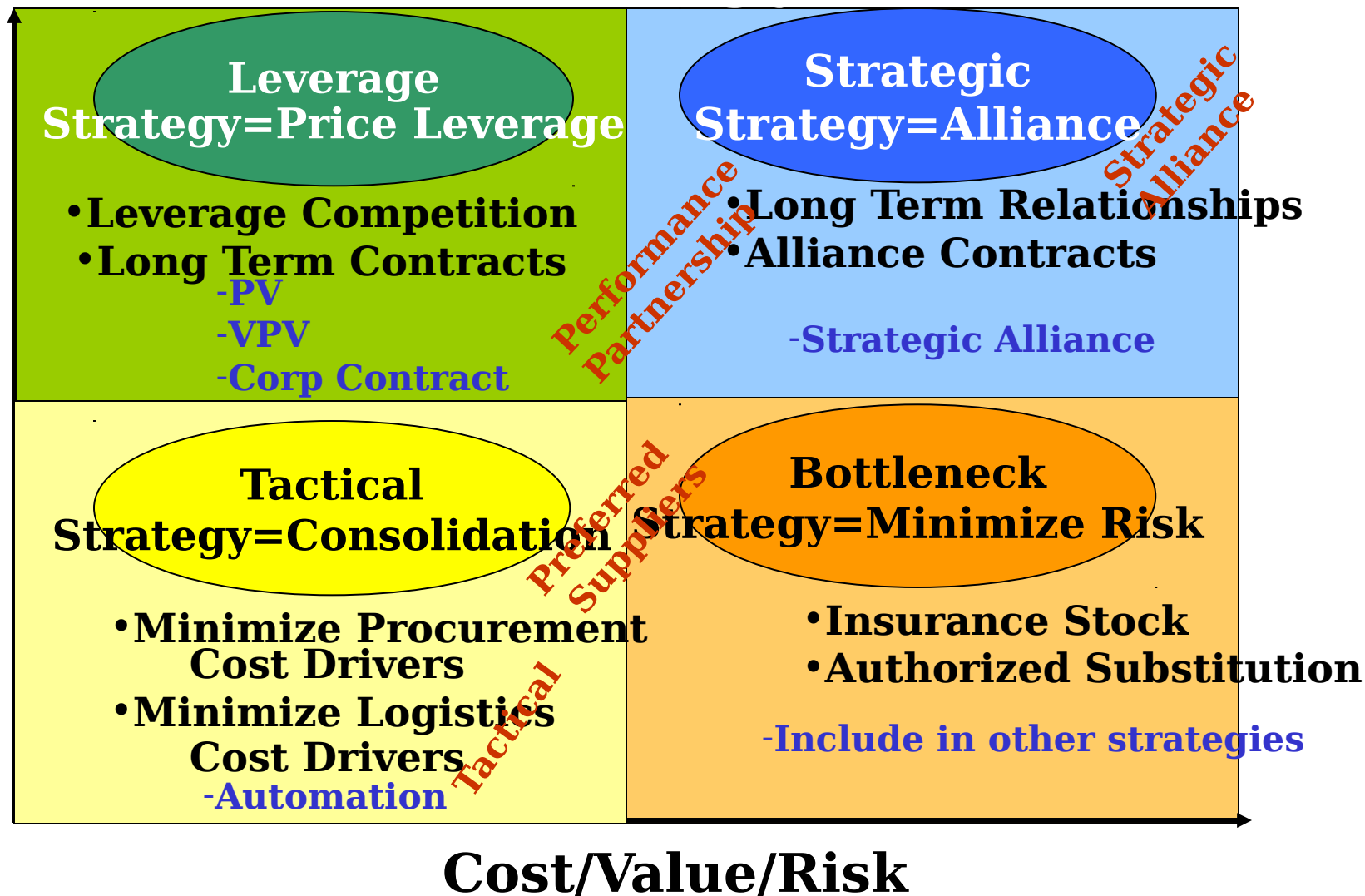
**Strategic Materiel Sourcing Groups Items for Placement on Contract**





# Strategic Materiel Sourcing Strategy Matrix

Contract Spend





# SMS Market Basket Definition

- A type of procurement planning bill of material that groups parts into related families based upon the strength of their shared attributes. Market baskets are intended to increase a purchasing organization's leverage within the buyer/seller relationship.
- Examples of attributes used in forming market baskets include, but are not limited to:
  - **Procurement restrictions due to unique manufacturer qualifications**
  - **Similar manufacturing specifications among the parts**
  - **Common materials and/or manufacturing processes**
  - **Similar competitive sources (i.e. CAGE/NSN pairs)**
  - **Other selected taxonomies**



# Contract Vehicles

## Standard Long Term Contracts

A contract in excess of one year (including options) with electronic delivery orders. DLA direct and customer direct.

## Corporate Contract

A long term contract that aggregates requirements of more than one ICP with a single supplier. DLA direct and customer direct.

## Prime Vendor

## Virtual Prime Vendor

A long term contract with a commercial distributor, OEM or third party logistics provider for integrated logistics support that may include forecasting, inventory management, distribution, engineering support, technical services or other services to support customer needs. Normally includes performance metrics.

## Strategic Supplier Alliances

A long term strategic agreement that aggregates requirements of all the ICP's for the supplier's entire line of sole-source items. Provides mutual benefits for both parties through collaborative planning, execution and streamlined acquisition processes. Include performance metrics.





# Contract Benefits

Standard Long Term Contract	Corporate Contract	Prime Vendor Virtual Prime Vendor	Strategic Supplier Alliance
-----------------------------	--------------------	-----------------------------------	-----------------------------

**Reduced administrative lead time (ALT) and costs**

**Reduced production lead time (PLT) and inventory**

**Reduced DLA infrastructure costs**

**Time and resources required to put the contract in place**





# **Alliance Strategic Materiel Sourcing POM Commitment and**

- **Inventory Reductions**
  - **Vendor Managed Inventory**
  - **Reductions in ALT**
  - **Reductions in PLT**
- **While Reducing:**
  - **Price of Items**
  - **Total Ownership Costs**



# SMS/SSA Metrics

- **Leading indicators**
  - **SMS execution: SMS NSN's planned vs actual by quarter**
  - **SSA execution: Initial contract award, planned vs actual**
  - **Quarterly NSN additions, planned vs actual**
- **Lagging indicators**
  - **Reduced inventory**
  - **Reduced ALT & PLT**
  - **Percent of obligations**



# Strategic Supplier Alliance

- Collaborative relationship sharing information and delivering superior value, accomplishing mutually compatible goals that couldn't be accomplished alone.

Transcends the  
transactional  
environment

- Goals
  - Leverage DoD buying power
  - Reduce total price
  - Improve readiness of weapon systems
  - Reduce customer wait time



# Honeywell/DLA Strategic Supplier Alliance

## Previous Approach:

- **Many Contracts - Fragmented approach**
  - Multiple contracts and Spot Buys
  - Multiple buyers competing for Contractor assets and attention
  - Different contract terms and conditions
  - Lack of consistency in pricing and acquisition strategies

## Alliance Approach

- **Three Contracts - An integrated approach**
  - Long-Term Contracts developed by all stakeholders
  - Designated Interfaces for DLA and Honeywell
  - One pricing and acquisition strategy
  - Interdependence
  - Information sharing

Surge and  
Sustainment



# Strategic Supplier Alliance Demand Environment

## Catalog

Many Users  
Contractor  
Manages  
DVD with KTR  
forecast

## Replenishment

Primary user at 1  
site  
Scheduled  
deliveries



## Build to Order

Low Demand Items Stock to DLA  
Inventory

**Boundaries between environments are not rigid and items can move**





# **Stakeholders:** **Honeywell/DLA** **Strategic Supplier**

- **Signatories: DUSD(AR) & Director DLA**
- **Honeywell**
- **Customers: Navy, Army, Air Force**
- **DCMA**
- **DoD IG**
- **DCAA**
- **DoD Change Management**



# SSA Process

- **Initial SSA contract award**
  - **Institutes standardized framework**
    - Common terms and conditions
    - Establishes pricing methodology
    - Deviations and waivers in place
  - **Sets the precedent for additional awards**
    - Number of NSNs may be smaller
    - Subsequent additions faster
    - Primarily a pricing exercise

**Goal = STD  
Framework  
Across DoD**



# Strategic Supplier Alliance Benefits

- **Improve availability/reduce customer wait time**
- **Reduce inventory**
  - **Use DVD where appropriate**
- **Reduce total prices**
  - **Administrative costs**
  - **Process changes**
  - **Long term agreements**

**DuDD IC audit on initial Honeywell contract award**

- **Prices reduced \$59M - 12 yrs**
- **\$13M inventory levels for first 221 items -- already reduced by \$9.8M and will be reduced to almost nothing**
- **Shipment times have been reduced from historical average of 20-25 days to 5-7 days**



# Strategic Supplier Alliance Execution Plan

## **DSCR**

- Honeywell - Awarded FY01
- BAE - Awarded FY02
- Boeing - Awarded FY02
- P&W - Awarded FY02
- GE - FY02
- Lockheed Martin - FY02
- Northrop Grumman - FY02
- Canadian Com Corp - FY03
- Rolls Royce - FY03
- Eaton - FY03
- Hamilton Sundstrand - FY03

## **DSCP**

- Avibank - FY03
- Textron - FY03
- SPS Technologies - FY04

## **DSCC**

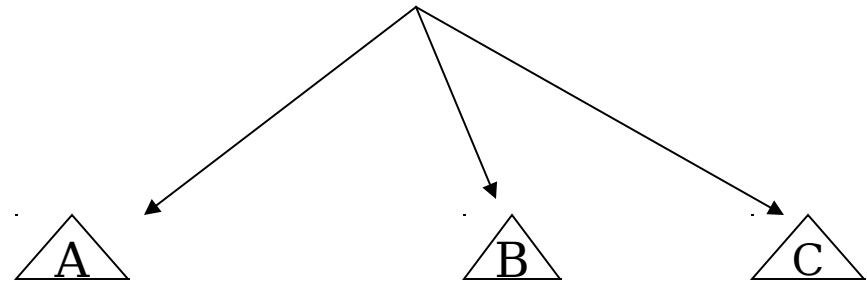
- Dresser Rand - FY02
- Parker Hannifin - FY03
- Oshkosh Truck Corp - FY03
- General Dynamics Land Systems Division - FY03
- AM General - FY03
- United Defense - FY03-04
- Detroit Diesel General Motors - FY03-04
- Stewart & Stevenson - FY03-04



# Acquisition Process Model

*Integrated Acquisition  
Review Board for  
Business Case Analysis  
(BCA)/Acquisition  
Approvals*

SPE Milestone Review & Approvals



Phase I –  
SMS Process

Phase II – Business  
Strategy & Acquisition  
Planning

Phase III –  
Contract  
Award

Phase IV  
Implement

*Milestone A: Acq. Planning Document/ROM BCA Approval*

*Milestone B: Final BCA/Contract Award Approval*

*Milestone C: Post Award/BCA Decisions*



# Performance Based Logistics (PBLs)

- **Goal: Leverage Service PBL efforts to reduce DoD resource requirements and speed execution**
- **Coordinating with Services to determine best approach**
  - **Partnering on Strategic Alliances**
  - **Partnering on Services' CLS**
  - **Add DLA items to Service contracts**
  - **Add Service items to DLA contracts**
- **Select the approach that makes the most sense for DoD**

Process in place for interfacing with Service program offices and identifying PBL opportunities

**A cannot include competitive items on Service/DLA sole source PBLs due to CICA, bundling, and small business issues**





# Pratt & Whitney Alliance

- **Initial DLA DSCR SSA award made 3<sup>rd</sup> Qtr FY02**
  - **Modification adding 129 OC-ALC NSNs and the Air Force  
Inventory Sustainment concept - June 27, 2002**
  - **Modification adding 152 DLA NSNs -  
September 2002**
- **OC-ALC to partner as AF lead in SSA**
- **Charter signing at AFMC HQ - September 26, 2002**



# **DSCC Dresser Rand SSA**

## **PBL Partnership with NAVICP - Mechanicsburg**

- **3,100 NSNs - Annual Demand Value \$5.7M  
plus Navy  
supplies and services - \$3M**
- **ALPHA Contracting - DLA DSCC Lead**
- **Reduced delivery time-frames for active  
population**
  - **186 NSNs - \$5M Annual Demand Value  
(approximately 85% of Annual Demand  
Value)**
- **Revised award date: 1<sup>st</sup> Quarter FY 03**



# DLA SCR - Boeing Alliance

- **Award(s):**
  - SONIC (Commercial Catalog), December 2001
  - Helicopter, November 2001 - 1,208 NSNs
  - F-15, AV-8B, F/A-18, May 2001 - 1,512 NSNs
  - Boeing Seattle Corporate Contract, May 2002 - 57 NSNs
- **Current Progress:**
  - Long Beach Contract planned for 4<sup>th</sup> Qtr FY02 - 44 NSNs
  - Modification adding 393 NSNs to F-15, AB-8B, F/A-18 Contract planned for 1<sup>st</sup> Quarter FY03
  - Revision to J&A in progress to add the Apache platform to the F-15, AV-8B, F/A-18 Contract
  - Forward Pricing Agreement under discussion at Seattle targeted for 1<sup>st</sup> Quarter FY03
  - Forward Pricing Agreement under discussion at Long Beach



# **Teaming - Landing Gear PBL**

## **Placing Items on Each Other's Contracts**

- **DLA Contract Awarded to Aircraft Breaking Systems - April 2002**
- **AF Contract Awarded to Goodrich - June 2002**
- **AF Pursuing Contracts with Hamilton Sundstrand**



# DLA Engagement Of Service Section 912(c)/R-TOC Pilots And PBL

- DLA (Corporate Contract With DVD)  
Developed Engagement Strategy – Summer '99;  
Updated Nov '01

- DSCC And DSCR Engaging 30 Pilot Programs  
And Other Program Managers To Offer DLA

DLA Tailored Support\*

HEMTT; M1 Abrams; Aegis

Cruiser; CASS; EA-6B;

MTVR; C-5; F-16; C/KC-135;

B-1B; AWACS

Role To Be Determined

Crusader; HIMARS; RAH-66;

~~LPD-17 Class; H-60; AAV~~

DLA Traditional

— Support

AH-64; CH-47; Guardrail;

CVN-68 Class; C-17; JSTARS

Not Applicable\*\*

Fire Support C2; TOW ITAS;

SLAM-ER; Common Ship;

ISC2; SBIRS; F-117

\* Corporate Contract With DVD; Prime Vendor; SSA; Dedicated Truck Service

\*\* Already CLS; Has Been CLS From Beginning; Primarily Software; Process I



# **DLA Best Value Support**

- **Contract Support**
  - **Low Prices: Nationally Leveraged Buying Power Across Systems; Strategic Supplier Alliances (SSAs)**
  - **Improving Response: SSAs And LTCs With DVD (Prime Vendors, Virtual Prime Vendors, Corporate Contracts)**
  - **Unique Inventory For 1,400 Specific Weapon Systems**
    - **\$4.3B In Inventory; \$1.5B Due In Under Contracts; \$587M Due In Under PRs (1.2M National Stock Numbers)**
- **Distribution Services**
  - **Infrastructure In Place At Service Maintenance Depots**
  - **Dedicated Truck Service From SDPs: DDSP And DDIC**





# DSCP Industrial Prime Vendor

## Features

## Benefits

### Contractors:

Raytheon  
E-Systems  
(for Navy  
& Army  
Sites)  
&  
SAIC (for  
AF ALCs)

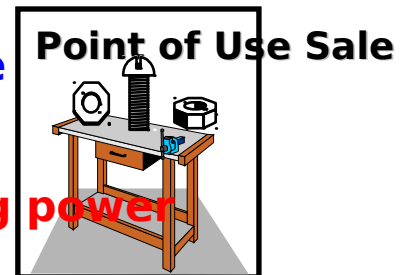
- Point of use bin items
- Push system (i.e. no requisitions)
- No intermediate inventory levels
- Complete material management support services
- Customer/WS focused

- 98% fill rate required; incentives to meet 100%
- Discrete usage and cost data
- Lower total costs
- Retail & wholesale inventory reductions
- Contractor profit tied to performance

### Locations:

**NADEP NI, NADEP CP, AF ALCs, ANAD, and RRAD**  
**RTOC/Section 912c Pilots: C-5 PDM; KC-135 PDM; F-16 Line and Landing Gear Shop**

**Pending: IPV Generation II for nationally leveraged buying power**





# DLA DSCC Corporate Contract For HEMTT

- Follow-on DSCC Corporate Contract with Oshkosh Truck Corporation awarded April 2000
- Saved Army \$2.7M since Oct 99 w reduced cost recovery rate due to DVD
- 1,181 NSNs covered; 2,584 additional sole source NSNs under review
  - 286 NSNs to be added by 31 Aug 02; 400 more to be added in 1QFY03
- OTC required to deliver within 5 days





# Abrams Strategic Alliance Partnership

## TACOM, PM-Abrams, DLA, GDLS

Over \$2M Savings To  
Date; 96.6% On Time Delivery

**Partnering  
With Army  
Provides  
Leverage To  
Improve  
Contractor  
Performance**

Partners:

- ▣ TACOM, PM-ABRAMS, GDLS, DLA
- ▣ 15 Year DLA IDQC April 2001
- ▣ Three Phase Coverage
  - ▣ Phase I : 544 (Completed),
  - ▣ Phase II : 758 (1 Mar 02)
  - ▣ Phase III : TBD
- ▣ Performance
  - ▣ 2, 5, 12 Day Delivery
- ▣ ADV \$2.8M (Phase II \$4.0 Mil)



**M1A2  
SEP**

**Provides  
Bridge To  
Support  
Army's Interim  
Armored  
Vehicle -  
Stryker**



**Wolverin**

**Alpha  
Contracting**

**GDLS Operates GOCO  
Warehouse at Ft. Hood**



# Improved Support for Skirting Components - LCAC

- **Request from Navy's ACU 4, Little Creek and ACU 5, Camp Pendleton**
  - LCAC skirting material is expensive and ACUs' have limited budgets
  - Skirting material has long lead times
- **DLA DSCC pursued long-term contract(s) with DVD**
  - Split awards made to Bell Avon Inc. and SMR Technologies on 25 Apr 00 for LCAC rubber skirting components
  - 1 base year with 7 option years covering 195 items, > \$5M ADV
  - Standard unit prices decreased by 25% - 30%
  - ALT reduced to 1 day
  - Most deliveries made in 30 days or less
  - Add/Delete clause
  - Will likely add 400 more items to contract(s)





# DLA DSCR VPV Contract for F-15



- **DSCR awarded VPV contract to Boeing for F-15 support on 2 May 01 covering 1,196 Boeing sole source items**
  - **IQ contract with 3-year base (estimated at \$22.4 M), two 2-year options, and one 3-year option**
  - **Provides support to WR-ALC PDM line and worldwide F-15 operational customers**

- **Objectives of VPV contract with Boeing**

- **Reduce OST and Backorders**
- **Reduce inventory via Boeing DVD shipment**
- **Reduced total logistics costs**
- **Increase customer satisfaction**

- **Boeing is responsible for:**

- **Forecasting**
- **Manufacturing, purchasing, storage, packaging, transportation**
- **Quality assurance**

- **Government inventory will be depleted before Boeing supplies items to AF**

**OST for routine requisitions**  
**Boeing: 95% w/i 10 days**  
**DLA: 80% w/i 10 days**  
**OST for Hi-Pri requisitions**  
**Boeing: 95% w/i 2 days**  
**DLA: 72% w/i 2 days**  
**Boeing average TOB 90 days**  
**DLA average TOB 166 days**



**A Tail**

# **National Inventory Management Strategy (NIMS)**

**Product Support To Pierside, Planeside,  
Foxhole**

- Combines Service And DLA Inventory, Eliminates  
And Lowers DoD's Total Inventory Investment**
- Moves DLA Point Of Sale As Far Forward As Cust**

***Stock Location/Inventory Investment Decisions Are  
By Distribution Capabilities To Meet Customer Wait***

## **NIMS Pilot Sites:**

- Army - Fort Carson; Begins Feb 03**
- Navy - TBD**
- Air Force - OO-ALC or OC-ALC; Begins Ja**
- USMC - Camp Lejeune; Begins May 03**





# NIMS Tomorrow

- **DLA—single consumable IM that maintains total visibility of supply chain—better forecasting, inventory management, stock positioning, and integration of commercial and organic support.**
- **Two levels of DoD inventory: 1) Repairables—Service specific WCF 2) Consumables—DLA WCF**
- **Result: faster support to warfighters.**
- **Possible inventory reductions \$2.2 billion.**

**Assumptions:**

1. **DLA capitalizes all MILSVC retail stocks by 2010 (p**
2. **Inventory reductions reach 25% (based on academi**
3. **MILSVCs buy in to response vice inventories—Time**



# **DLA Support To Operation Enduring Freedom**

**(As of 30 October 2002)**

- Defense Supply Centers Have Processed 858,700 Requisitions For \$970.6 Million**
- Defense Distribution Center Has Processed And Shipped 746,667 Materiel Release Orders**
- Defense Energy Support Center Has Provided 813 Million US Gallons In Bulk Fuel**



# Any Questions?

